

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SAJ-01 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 EB-08 FRB-01 TRSE-00 XMB-04

OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 CEA-01 STR-04

DOT-00 AGRE-00 /120 W

-----251001Z 034507 /10

R 250859Z JAN 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC 3809

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USMISSION GENEVA

AMCONSUL ZURICH

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PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: JAN 9-22

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC ROSE TO SF 2.50, HIGHEST SINCE JUL 76. GOLD PRICE ROSE TO 132.50. SWISS NATIONAL BANK BOUGHT EQUIVALENT SF 18.8 BILLION IN FOREIGN EXCHANGE DURING 76. CAPITAL MARKET HIGHLY LIQUID; INTEREST RATES SOFTEN FURTHER. SNB POLICY AIMS AT HELPING SWISS FIRMS OVERCOME STRUCTURAL DIFFICULTIES. SWISS 76 FOREIGN TRADE BALANCE HAD SURPLUS SF 173.6 MILLION, FIRST SURPLUS SINCE 1953. SWISS SEE STRONG ECONOMY AS FOUNDATION  
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FOR MORE ACTIVE FOREIGN POLICY. PUBLIC WORKS EXPENDITURES OF SF 85.5 BILLION PLANNED FOR NEXT 5 YEARS.

NEW CAR SALES ROSE 8.5 PCT IN 76. NUMBER OF FOREIGNERS IN SWITZERLAND DECLINED IN 76. SWISSAIR PLANS PURCHASE 10 NEW AIRCRAFT DURING 1980'S.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE MARKET  
 HECTIC AT MID-WEEK. DOLLAR RATE AGAINST FRANC  
 ROSE TO SF 2.50 FOR FIRST TIME SINCE JUL 76. EXCHANGE  
 DEALERS ATTRIBUTED DOL GAIN TO HIGHER LENDING  
 RATES AND REPORT OF LOWER 76 INFLATION IN US. DM, POUND  
 STERLING AND FRENCH FRANC ALSO FIRMED SLIGHTLY. SWISS  
 NATIONAL BANK REPORTED SWISS FRANC APPRECIATED 10.4  
 PCT ON TRADE WEIGHTED BASIS IN 76 BUT DEPRECIATED  
 0.9 PCT IN MID-DEC 76 TO MID-JAN 77.  
 GOLD PRICE ROSE TO 132. RATES FOL:

	1/17(OPEN)	1/21(CLOSE)
SPOT DOLLAR	2.4935	2.5008
FORWARD DISCOUNT (PCT P A )		
ONE MONTH	4.63	4.27
2 MONTHS	4.34	4.18
3 MONTHS	3.98	3.94
6 MONTHS	3.90	3.80
12 MONTHS	3.57	3.64
SF/DM	103.85	104.18
GOLD	130.50	132.50

3. SNB OPERATIONS: SNB POLICY OF ACTIVE FOREIGN EXCHANGE  
 MARKET INTERVENTIONS SHOWN BY FOLLOWING REPORT  
 OF 76 FOREIGN EXCHANGE PURCHASES AIMED AT STABILIZING  
 EXCHANGE RATE AND SALES MADE UNDER COMPULSORY CAPITAL  
 EXPORT CONVERSION RULE:

(BILLIONS SF)	1975	1976	PCT CHANGE
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PURCHASES	11	18.8	70
SALES	9	15.5	72
NET INCREASE	2	3.3	65

4. SNB POLICY: SNB STATED IN ITS JAN REPORT THAT  
 IT WILL CONTINUE POLICIES AIMED AT MAINTAINING STABLE  
 EXCHANGE RATES AND LOW INTEREST RATES TO HELP COMPANIES  
 UNDERGOING STRUCTURAL CHANGES TO IMPROVE COMPETITIVENESS.  
 NOTING CLOSE RELATIONSHIP BETWEEN LOSS OF JOBS AND  
 INFLATION, SNB STRESSED NECESSITY OF STABILIZING PRICES  
 TO REGAIN FULL EMPLOYMENT AND WARNED AGAINST INFLATION  
 OVER LONGER TERM RESULTING FROM PUBLIC AUTHORITIES'  
 DEFICIT SPENDING AND HIGH LIQUIDITY OF BANKS. SNB  
 REPORTED IT BOUGHT NEW CONFEDERATION BONDS ISSUED  
 LAST NOV TO HELP SUPPORT INTEREST RATE DURING  
 SEASONAL DROP IN DEMAND BUT EXPECTED INVESTMENT DEMAND  
 TO RISE IN JAN.

5. CAPITAL AND MONEY MARKETS: MARKETS HIGHLY LIQUID.

CALL MONEY RATE REMAINED 0.25 PCT. AVERAGE YIELD  
CONFEDERATION BONDS DROPPED TO 4.00 AT MID-WEEK BUT  
RECOVERED PARTIALLY TO 4.03 FIRDAY. SELECTED STOCKS  
SHOWED MODEST GAINS DESPITE MARKET SLUMP AT MID-WEEK;  
SKA INDEX (1959 - 100) UP SLIGHTLY TO 227.40 JAN 21.  
SNB VICE PRES SCHUERMAN SAID THAT SNB SEEKS TO  
IMPROVE CAPITAL TRANSFER STATISTICS UNDER AGREEMENT  
REACHED IN 76 WITH SWISS MNC'S AND SWISS-BASED HOLDING  
COMPANIES OF FOREIGN MNC'S. COMPANIES AGREED TO PROVIDE  
MONTHLY CAPITAL MOVEMENT FORECASTS AND ANNUAL ESTIMATES  
OF CAPITAL REPATRIATION POTENTIAL. SCHUERMAN EXPECTED  
AGREEMENT TO BE RENEWED IN APR 77.

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PASS TREASURY AND FRB

ECONOMIC

6. FOREIGN TRADE: SWISS CUSTOMS REPORTED FOREIGN TRADE  
CONTINUED TO EXPAND RAPIDLY DURING DEC BUT WITH NET TRADE  
DEFICIT SF 133.9 MILLION COMPARED SF 237.5 SURPLUS DEC 75.

FOLLOWING SHOWS FOREIGN TRADE DEC 76 COMPARED DEC 75:

DECEMBER	IMPORTS		EXPORTS	
(MILLIONS SF)	1976	1975	1976	1975
VALUE	3,544	2,837	3,400	3,074
PCT CHANGE	24.6	-10.3	10.6	7.6
PRICE CHANGE	-3.2	-	1.1	-

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REAL CHANGE	28.8	-	9.4	-
U S SHARE	217	-	9.4	-
PCT CHANGE	5.9	-23.1	-3.1	PLUS 14.4

END 76 TRADE SURPLUS SF 173.6 MILLION FIRST SURPLUS  
SINCE 1953, COMPARED SF 838.1 MILLION DEFICIT 75 AS  
FOLS:

TOTAL 76	IMPORTS		EXPORTS	
(MILLIONS SF)	1976	1975	1976	1975
VALUE	36,871	34,268	37,045	33,430
PCT CHANGE	7.6	-20	10.8	-5.4
PRICE CHANGE	-5.2	-3.5	0.7	3.0
REAL CHANGE	13.6	-17.2	11.6	-8.2
U S SHARE	2,520	2,587	2,521	2,134
PCT CHANGE	-2.6	-7.8	18.1	-14.7

THE U S RANKS FOURTH AMONG MAJOR SWISS TRADING PARTNERS.

7. THE ECONOMY AND FOREIGN POLICY: SWISS FEDERAL POL DEPT  
GEN SECRETARY WEITNAUER TOLD ZURICH ECONOMIC CLUB STRONG  
SWISS ECONOMY IS FOUNDATION FOR MORE ACTIVE FOREIGN POLICY TO  
PROMOTE NATIONAL INTERESTS. WEITNAUER STRESSED IT IS SWISS  
ECONOMIC STRENGTH, TOGETHER WITH SOCIAL AND POLITICAL STABILITY,  
WHICH HAS ENABLED SWITZERLAND PRESS ITS VIES IN WORLD  
COMMUNITY WITH SOME SUCCESS.

8. CONSTRUCTION: PUBLIC AUTHORITIES ANNOUNCED THAT PLANS  
FOR PUBLIC WORKS OVER NEXT 5 YEARS WILL TOTAL SF 62.5 BIL  
FOR CONSTRUCTION PROJECTS AND SF 23 BIL IN ORDERS FROM  
TRADE AND INDUSTRY. PROJECTS INCLUDE PUBLIC ROADS,  
BUILDINGS, PTT AND FEDERAL RAILROAD. SOME SF 9.2  
BIL IS PLANNED FOR NEW MACHINES AND EQUIPMENT.

9. NEW CAR SALES: NEW CAR SALES ROSE 8.5 PCT TO 198,415  
IN 76. MOST SALES BY VW WITH 26,100 FOLLOWED BY OPEL,  
FORD (W GERMANY, UK AND US), FIAT, RENAULT, TOYOTA, PEUGEOT,  
CITROEN, BMW AND AUDI/NSU. FORD RECORDED LARGEST INCREASE,  
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UP 47.6 PCT TO 21,375, WITH VW SALES UP 19.2 PCT, OPEL 17.1 PCT AND TOYOTA 15.2 PCT. FIAT HAD NO INCREASE WHILE CITROEN SALES FELL 13.6 PCT AND AUDI-NSU DECREASED 10 PCT.

10. FOREIGNERS: NUMBER OF FOREIGNERS RESIDING IN SWITZERLAND DECREASED BY 54,111 OR 5.3 PCT IN 76 TO 985,599, ABOUT 15.3 PCT OF TOTAL 6.4 MIL POPULATION. OF 516,040 FOREIGN WORKERS END 76, THOSE WITH YEAR PERMITS NUMBERED 188,738 WHILE 327,302 WERE ESTABLISHED RESIDENTS. THERE WERE ALSO 6,263 SEASONAL FOREIGN WORKERS AND 77,081 BORDER CROSSERS. REDUCED FOREIGN POPULATION ATTRIBUTED TO UNEMPLOYMENT AND GOVT POLICY SINCE 1970 TO RESTRAIN IMMIGRATION.

11. SWISSAIR FLEET PLANS: SWISSAIR PRES BALTENSWEILER SAID HIS COMPANY WILL RETIRE ENTIRE FLEET DC-8 AIRCRAFT IN 1980'S AND REQUIRES 10 REPLACEMENT AIRCRAFT CONFIGURED FOR 135 PASSENGERS WITH MORE POWERFUL AND QUIETER ENGINES THAN PRESENT DC-9. HE SAID SWISS AIR INTERESTED IN PLANNED DC-9-60 BUT MIGHT PURCHASE FEW DC-9-50'S IF MODEL 60 IS NOT DEVELOPED SOON. BALTENSWEILER SAID THAT SWISSAIR WAS CONSTINED TO USE SMALLER, LESS ECONOMICAL DC-8 WHEN SOME GOVTS LIMITED USE OF WIDE-BODIED DC-10 BECAUSE OF ITS COMPETITIVENESS. DAVIS

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## Message Attributes

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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009